

Message from the Chairman

On behalf of the Missouri Gaming Commission, it is my pleasure to present the annual report for FY 2004. This report is submitted to comply with Section 313.837, RSMo, and contains an account of the Commission's activities over the past year. The report includes a summary of the status of each licensed gaming facility; a report of gaming tax and admission fee collections; an analysis of the gaming markets in Missouri; a summary of the responsibilities and activities of each section of the Commission's staff; a report on the status of the gaming industry affirmative action programs; and an update on the Commission's programs for problem gamblers and their families.

The report also contains a section fulfilling the Commission's statutory mandate to report to you on the effect of the loss limit on the competitiveness of Missouri riverboat casinos versus gaming facilities in neighboring jurisdictions. For the past decade, this Commission has reported to you that the data clearly shows the loss limit renders Missouri riverboat casinos less competitive versus its competitors in Illinois, Iowa and Mississippi. Indian casinos do not release the results of their operations. Thus, we are not able to provide an analysis of the competitive environment versus the Indian casinos in Kansas. However, the consistency of the data in other states suggests these casinos, operating without a loss limit, also enjoy a competitive advantage over casinos in Kansas City and St. Joseph. In addition, for the past several years Kansas has come closer to authorizing a large-scale casino project in the Kansas City metropolitan area. Such an operation will divert a large amount of revenue from Missouri to Kansas. Current data demonstrates loss limits will add significantly to the diversion.

It appears quite clear to the Commission this statutory mandate has served its purpose. There has been little change in the data over the past decade, making the issue well settled. To our knowledge, it is undisputed that the loss limit results in a competitive disadvantage for Missouri casinos. Thus, in order to avoid unnecessary attention to an undisputed fact, we recommend you consider repealing this reporting requirement, which has now become an annual redundancy.

The gaming statutes also require the Commission to suggest changes in the adjusted gross receipts tax as provided in Section 313.822, RSMo. On pages 9-11, you will find a detailed analysis of Missouri's gaming tax rate as it compares to the gaming tax rates in other riverboat gambling states. In addition, the report provides the Commission's view of how tax rates affect the economics of gaming, the quality of the operations located in the state and the impact of gaming taxes on employees, home dock communities, patrons and state revenues.

Another of the Commission's statutory mandates is to provide recommendations for legislation the Commission deems advisable. Last year the Commission opened the debate regarding the expansion of enforcement authority for Commission agents. While the present system has served the Commission adequately during its startup phase, it is now time to develop a more thoughtful, comprehensive, flexible and efficient means of enforcing the gaming laws. We ask that you give this issue serious consideration this session.

Currently, the only gaming agents having complete enforcement authority are Missouri



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State Highway Patrol officers assigned to the Gaming Division. Yet, the Commission's enforcement presence includes compliance auditors, electronic gaming device technicians, financial investigators and gaming enforcement managers. Each of these categories of personnel is critical to the enforcement effort and should have sufficient statutory authority to enforce Missouri's gaming laws.

The Commission also recommends legislation be adopted requiring casinos to pay interest on delinquent admission fees. A decision by one of the Commission's hearing officers pointed out that the current gaming statute provides specific language allowing the Commission to impose interest on delinquent adjusted gross receipts taxes. However, the language is missing from the section imposing an admission fee. Thus, the Commission cannot assess interest against delinquent admission fees until the legislature grants it the authority to do so.

Finally, the Commission recommends the General Assembly enact legislation directing that jackpot winnings of problem gamblers who have voluntarily excluded themselves from Missouri casinos be deposited into a fund for problem gambling prevention and treatment. Under the provisions of Missouri's internationally renowned voluntary exclusion program, problem gamblers who have excluded themselves are ineligible to place a wager. Thus, if the problem gambler surreptitiously enters the casino, illegally places a wager and wins a jackpot, the current law allows the casino to keep the money. The Commission believes a better policy is to deposit the money into the Compulsive Gamblers Fund and asks that you enact legislation authorizing the Commission to redirect the funds.

Governor Bob Holden appointed two new members to the Commission in 2003. Both members bring a wealth of experience in public service. George Hartsfield is the Executive Director of the Jefferson City YMCA and is active in a variety of community organizations. Ralph Biele is a retired Lt. Colonel from the Missouri State Highway Patrol and served as Deputy Director of Enforcement for the Gaming Commission from 1996 to 2000. Both members will help build upon the solid foundation that has been laid by previous Commissioners.

By the time this report is released, the Commission will likely have made a decision regarding whether to begin investigations for the purpose of licensing additional casinos in the St. Louis metropolitan area. At the time of this writing, that decision has not been made. While this precludes a discussion of the decision, I can report on the process to reach it. It has been, without question, the most thorough and inclusive casino selection process since the enactment of the riverboat gambling laws in Missouri. It will produce a decision that is based on sound reasoning. To be sure, not everyone will agree with the result. Still, I am confident that reasonable people will find that the process was fair, thorough and free from improper influence.

Equally important is the Commission's record of accomplishment in managing the number of licenses in Missouri. The Commission is empowered with the authority to license an unlimited number of casinos, yet it has been slow and deliberate in making such decisions. The markets have developed gradually and the Commission has never licensed a casino in a community unless there was substantial and widespread support for it. Each community that has a casino actively pursued approval for it and continues to support it. Other states that have made licensing issues part of the political process, either through limits on the number of licenses or directions as to where the licenses will go, have often found themselves mired in public controversy and more importantly have frequently been the subject of public corruption and criminal charges. The Commission cautions against any changes in the licensing portions of the gaming law that has served Missourians so well.

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